FINAL TRANSCRIPT

Diamond Estates Wines & Spirits Ltd.

Fiscal 2019 Fourth Quarter Financial Results

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PRESENTATION

Operator

Good morning. My name is Sylvie and I will be your conference operator today. At this time I would like to welcome everyone to Diamond Estates Wines & Spirits Fiscal 2019 Fourth Quarter Financial Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press star then the number one on your telephone keypad. And if you would like to withdraw your question, please press star then number two. Thank you.

Mr. Souter, you may now begin your conference, sir.

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Thank you, Sylvie, and good morning, everyone. Welcome to Diamond Estates 2019 fiscal fourth quarter conference call. I am Murray Souter, Diamond Estates' President and Chief Executive Officer, and with me today this morning is Paul Dowdall, our Chief Financial Officer.

Obviously, we've had some very important news this morning with the investment from Lassonde Industries. I'll begin by discussing that and then provide an overview of our fiscal 2019 results. Paul will discuss the financials in detail, including our fourth quarter performance, and I'll conclude with some brief remarks on our strategy and outlook. After that we will be pleased to answer any and all questions.

Before we begin, I need to remind listeners that certain statements about future events made on this conference call are forward looking in nature and are based on certain assumptions and analysis made by the company. Please refer to the cautionary statement on forward-looking information in our news release this morning for more information.

As you saw in our news release this morning, we have formed a strategic partnership with Lassonde Industries, a leading North American beverage company based in Quebec. This is a very significant event for Diamond Estates. Lassonde has invested approximately $7 million in our company and acquired a 19.9% interest. Lassonde's sales team will also help us expand the rollout of our products in grocery stores across Canada. We believe that these measures will help us drive substantial growth in our business.

As many of you are likely aware, Lassonde Industries is a TSX-listed company that develops, manufactures, and sells a wide variety of beverage products. They are best known for their highly successful juice brands, including Oasis, Allen's, Everfresh, and Fairlee. Additionally, Lassonde is already an importer and distributor of wines and other alcoholic beverages in the province of Quebec, so they are very familiar with our business and our markets.

The catalyst for this partnership is the accelerating rollout of wine sales into grocery channels, particularly in Ontario but also in other jurisdictions, including BC, Saskatchewan, and New Brunswick. Our view, as we have said many times, is that this is the most important regulatory change in the wine industry, particularly in Ontario, in decades. The Ontario government refers to it as a generational change. We think it is only a matter of time before grocery becomes the preferred option for customers buying wine in

Ontario and other regions of the country as it is in other jurisdictions where the channel is widely available. That is why we focused on obtaining a leading market share position early in the grocery rollout, an objective that we have achieved. Lassonde shares our view that grocery represents the future of wine sales in Ontario and the other provinces. With this investment we can ramp up our marketing spend to maintain the strongest competitive position possible in grocery as the rollout continues and our sales accelerate.

As many of you know, last month the Ontario government increased the total number of grocery stores authorized to sell wine to 225. New grocers are expected to gain approval to begin sales early in the fall, which means this grocery opportunity will continue to ramp up significantly and quickly. Our competitors are obviously aware of this fact as well as they too are ramping up marketing spending to maximize their grocery market share. Lassonde's investment gives us an important tool to compete effectively, building on our leading market share position to maximize our growth in this channel.

Another key growth driver for us is in British Columbia's Okanagan Valley, where we plan to develop a new winery. With this investment from Lassonde, we have the expansion capital in place to begin pursuing this exciting opportunity. We expect it will drive significant shareholder value over the longer term.

In addition to the Lassonde investment we are also forming a commercial brokerage agreement under which Lassonde will deploy its national sales team to sell our products in grocery stores across the country. We can leverage the relationships their teams have in place to significantly build market share in this channel in a way that we could not otherwise do. This will help establish our brands as truly national brands, not just Ontario brands.

So, you can see why we are so excited. This is a fantastic business partner in Lassonde and we can use this capital injection to accelerate our growth strategy. It's a unique and exciting opportunity.

Now let me turn to our fiscal 2019 results. Quite simply, our performance was disappointing. Paul will take you through the numbers in a moment. I will note for now that the ongoing business issues in the export channel along with the supplier losses in the agency division impacted our results throughout the year, as we had previously disclosed. As I have said before, these issues are frustrating but we are confident that they are temporary. The export market problem relates to our Chinese distributor, which took longer than expected to open new stores. These stores are now complete and we believe that we will start to see improving results in that market. We have also worked to diversify our export sales in recent months and are beginning to see traction with orders in the United States, United Kingdom, Mexico, Russia, amongst others.

In the agency division we are generating solid organic sales growth with several core brands such as Josh wines and Social Lite ready-to-drink vodka coolers. This is helping to mitigate the impact of past supplier losses. We implemented a new strategy in this business last year to focus on a smaller number of high-quality brands. This has worked well and we believe it will reduce supplier turnover and allow us to quickly return to growth in this business.

We appreciate your patience as we work through these temporary challenges during fiscal 2019. We are confident that we are on the right strategic track and with Lassonde's support we are positioned to generate stronger financial performance and significant shareholder value.

I will now invite Paul to review our fiscal 2019 and fourth quarter financial results in more detail. Paul?

Paul Dowdall — Chief Financial Officer, Diamond Estates Wines & Spirits Ltd.

Thanks, Murray.

Revenue for fiscal 2019 was $28.1 million. This was a decline of 17.9% from the $34.3 million in fiscal 2018. The decline was driven by the previously disclosed temporary issue in export sales as well as the loss of large agency suppliers during fiscal 2018. This was partially offset by the contribution of Backyard Vineyards, momentum in the grocery channel, and new high-growth suppliers in the agency division.

Revenue in the winery division was $15 million compared to $17.3 million last year. In addition to the decline in export revenue, sales to the LCBO channel decreased by about $0.5 million and there is about $200,000 decrease in revenue related to closures of the Beamsville winery property during the first quarter. Backyard Vineyards contributed $1.1 million of revenue on the year and there were modest increases to revenue in the retail store in the licensee channel.

In the agency division, revenue was $13.1 million in fiscal 2019 compared to $16.9 million last year. The revenue shortfall attributable to the lost suppliers during fiscal 2019 was $4.4 million compared to the prior year. There was additional revenue shortfall of about $0.5 million due to severance and the selloff of inventories related to severed suppliers. The decline was partially offset by $1.1 million of organic sales growth in certain other agency portfolio brands as well as the addition of new agency suppliers during fiscal 2019.

Gross margin for fiscal 2019 was $12.2 million or 43.5% of revenue. That compared to $15.2 million or 44.3% of revenue last year. The decline came from the winery business where gross margin percentage declined from 47% last year to 42.8% this year. This is a result of the lower export revenue and the fair value adjustments to inventory on the acquisition of Backyard Vineyards. In the agency division, gross margin percentage improved to 44.3% from 41.5% in fiscal 2018. This is due to an increase in the proportion of commission revenues relative to buy/sell arrangements last year.

Total selling, general, and administrative expenses for fiscal 2019 were $12.7 million, which were in line with fiscal 2018. After normalizing for non-recurring restructuring costs last year, G&A expenses increased by about $0.9 million in fiscal 2019. This reflects an increase to employee compensation and benefits due to the hiring of people for senior level positions, consulting fees relating to financial system review and recommendations, and the increased cost related to a change in the IT managed services and software subscriptions.

EBITDA was negative $0.5 million compared to $2.5 million in fiscal 2018. The decline is attributable to the decreased gross margin contribution and increased investment in senior-level roles, distribution, and promotional programming. After stripping out non-recurring items we had slightly positive adjusted EBITDA in fiscal 2019 compared to $3.6 million last year. Net loss is $3.3 million compared to a slightly positive net income for fiscal 2018.

Now I'll review our fourth quarter results. It should be noted that our business is highly seasonal and the January to March quarter is a period in which the Canadian wine consumption is relatively low, so our sales are generally weaker than other quarters.

Overall, revenue for Q4 was $4.5 million, a decline of 15.7% from $5.4 million last year. Winery division revenue of $1.9 million was similar to last year as new revenue from Backyard Vineyards was offset by lower LCBO revenue. The LCBO revenue was down in part because of the timing of the Easter long weekend. It came about three weeks later in 2019 compared to 2018 and so we had Easter-related sales in Q4 of 2018 which were not repeated in fiscal 2019. In the agency division, revenue declined by $0.9 million to $2.6 million due to the supplier losses and increased promotional spending already mentioned. This was partially offset by roughly $400,000 of organic sales growth in supplier brands in the portfolio.

Gross margin was $1.8 million for the fourth quarter compared to $2.3 million last year. The decline was due to lower sales. Gross margin declined by $100,000 in the winery division and by $300,000 in the agency division. As a percentage of revenue, gross margin was 38.4% in the winery division compared to 45.5% last year. The decline was attributable to roughly $100,000 worth of bulk wine sales at cost and the impact of the fair value adjustments related to Backyard acquisition. In the agency division, gross margin percentage was 40.5%, which is very similar to the 40.4% in Q4 of 2018.

G&A expenses in the quarter were $3.2 million, up by $200,000 or 5.5% compared to Q4 2018. The increase relates to higher occupancy cost tied to the relocation of the agency business to our new Oakville office space as well as the operating cost related to Backyard Vineyards and increased promotional spending.

EBITDA was negative $1.4 million in the fourth quarter compared to negative $800,000 last year. Adjusted EBITDA was negative $1.1 million compared to negative $400,000 a year ago. And we had a net loss of $2.2 million compared to a net loss of $1.4 million in Q4 2018.

Turning now to our balance sheet, working capital was $14.9 million as at March 31, 2019, up by $1.3 million from $13.6 million as at March 31, 2018. This is primarily due to a $2.4 million increase in inventory and it's partially offset by a $300,000 increase in our accounts payable, the assumption of a $550,000 note payable for the Backyard acquisition, and changes in other current assets and liabilities.

Or debt-to-equity ratio as at March 31, 2019 increased to 1.51 to 1 compared to 1.22 to 1 at March 31st a year earlier. This was a result of the increase in debt from the Backyard acquisition partially offset by the increase in share capital issued as part of that transaction and the exercise of stock options.

I'd like to provide a little bit more detail on the Lassonde transaction. As Murray said, Lassonde has purchased 36.9 million Diamond Estates common shares at a price of $0.19 per share. That represents a roughly 19% premium to our closing price of $0.16 on Friday. Gross proceeds for the Diamond Estates are approximately $7 million. As a result of this private placement, Lassonde now owns a 19.9% interest in Diamond Estates and is a company insider. Lassonde and Diamond Estates have also entered into an investor rights agreement that provides Lassonde with the right to nominate two directors to our

Board of Directors, which will be reconstituted with seven members. Lassonde will also have certain anti-dilution and registration rights.

I will now turn it back over to Murray for some closing comments. Murray?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Thanks, Paul.

As we start the new fiscal year, our competitive position is very strong. With the Ontario government preparing to green-light more wine sales in grocery stores, all the hard work we have done to build a top market share position in this channel is expected to pay off. As a matter of fact, we just received this morning our market share in this channel and we've now achieved a 16.6% share of market, which is a record. With Lassonde's support, we have the tools necessary to strengthen our brands and maintain that top position. We are expecting significant growth in grocery sales in the near future.

We are focused on production growth as well. The latest phase of the Lakeview winery expansion in Niagara-on-the-Lake has gone well and we now have over 6.1 million litres of cooperage, which supports our increased scale and operating leverage.

We're also excited about our efforts to grow nationally. We are pleased with the performance of Backyard Vineyards in BC, which we acquired last year. One of the reasons Backyard was attractive to us was that we felt it was an under-leveraged brand which would benefit from increased capacity and a broader marketing scope, which is being borne out. Additionally, the Okanagan Valley opportunity I mentioned earlier is another important driver in our long-term growth in BC. We're excited to get shovels in the ground on this project.

Finally, before we begin the question-and-answer session I want to cover a little bit of house-keeping. Since we have been hard at work finalizing the Lassonde transaction, we reported our fourth quarter and fiscal 2019 earnings later than usual this year. As a result, there will be a very short interval between the time that we report our first fiscal quarter results. Those earnings are expected to be released next month, a few weeks from now. Given this very short amount of time between reporting periods, we're going to skip the Q1 conference call this year. We'll host our next call after we report our fiscal second quarter results and I look forward to speaking with you all then. Having said that, we are always open, of course, for any phone calls or questions you may have and would be happy to have those conversations with you.

That concludes our prepared remarks this morning. Paul and I would now be pleased to answer any questions you may have. Sylvie, if you would please open the line for questions.

Q & A

Operator

Certainly, sir. Ladies and gentlemen, if you do have a question, please press star followed by one on your touchtone phone. You will hear a three-tone prompt acknowledging your request. If you wish to withdraw your question you will simply need to press star followed by two. And we ask that if you're using a speakerphone to please lift the handset before pressing any keys.

Your first question, sir, will be from Amr Ezzat at Echelon Partners. Please go ahead.

Amr Ezzat — Echelon Wealth Partners — Analyst

Good morning. Congratulations on the partnership with Lassonde.

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Thanks, Amr.

Paul Dowdall — Chief Financial Officer, Diamond Estates Wines & Spirits Ltd.

Thank you.

Amr Ezzat — Echelon Wealth Partners — Analyst

Can you give us a bit more colour on the use of proceeds, the $7 million, specifically how much of it is earmarked for the Naramata Bench? Then, as well, can you remind us of the total cost and timeline of the project?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Sure. There's a couple of things. There's still some moving pieces, obviously, on that. The $7 million, about half of it will go towards the marketing and sales effort of beer, wine and grocery or wine and grocery and the balance of the funds will be earmarked for the Naramata project. In total, that project, depending on how we stage it, would be about $9 million for both the retail and the production facility, and we're going to stage that, step that out over time. We haven't finalized a lot of the details. We're still in early stages. We've done a lot of the prep work on the site but we haven't got into the details quite yet. So now, with that investment, we'll start doing that, Amr.

Amr Ezzat — Echelon Wealth Partners — Analyst

Is that $9 million net to you guys or is Azura Management as well contributing to the total capital expenditures?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Well, the total capital will be $9 million. How we structure the financial details would be, I mean there's everything from build, sell and leaseback through to fund it with debt or add on equity raised to support it. So we haven't sorted those details out yet. We're in discussions on all three fronts.

Amr Ezzat — Echelon Wealth Partners — Analyst

Understood. And then is there—I know you're still in discussions but maybe a rough timeline as to when you guys are looking to get this project completed by?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Yeah. We would like to have it completed, obviously, for the busy season. The busy season out in Naramata would be the summer of 2021, so shovels need to be in the ground fairly soon. Construction would happen through most of 2020. Naramata is a little different than Niagara. They tend to shut down in the fall and are relatively quiet through the winter, so we're not going to miss much in terms of sales but we want to be able to be in a position to be able to support the opening in 2021.

Amr Ezzat — Echelon Wealth Partners — Analyst

Great. That's helpful. Then on the brokerage agreement, does that include Quebec or is it for the rest of Canada excluding Quebec?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Yeah, it includes Quebec. Lassonde, as you know, has a relatively large business in Quebec with their Arista wine brands. They will continue, obviously, to manage their own business there but we have brand presence in Quebec and we would be looking at that relationship right now going forward.

Amr Ezzat — Echelon Wealth Partners — Analyst

And does it, I guess that agreement, does it exclude or include like certain products or is it for the whole portfolio?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

It's the entire portfolio.

Amr Ezzat — Echelon Wealth Partners — Analyst

Okay. Switching gears to the export markets, you mentioned that the store build-out of your partner in China is now completed. I'm just trying to get a sense of what your expectations are there now in terms of, I'm not sure how much detail you could give us, in terms of potential run rate revenues. And maybe you could speak to how the trade and political tensions are perhaps impacting you guys.

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

That's a loaded question, Amr, but the, ah, first of all, I mean we're very pleased that our partner over there has got everything open and operating and in fact our team, our export manager and our head of winemaking have been over into the country a couple times with their distributor meetings and getting things moving in that market. We don't have a number yet as to what it looks like, although we are starting to see orders materialize. And that's partially, I mean this is our own supposition but the political tensions, obviously, are foremost in everybody's mind with a lot of the things that have gone on in canola and in pork and a lot of other export products going into China and so everybody is very cognizant and very cautious right now of that marketplace.

We have had a number of inquiries from other distributors over there but nobody's really making, although they're interested nobody's really making any significant moves to import product from Canada at the moment. That being said, as I said, we continue to receive a lot of inquiries and have qualified a couple of distributors, one in Hong Kong in particular, which tends to be a little different market, although there seems to be a fair amount of political unrest happening there as well.

Amr Ezzat — Echelon Wealth Partners — Analyst

Indeed. Maybe one last one for me then I'll pass the line on. The agency division, is it fair to assume that revenues have bottomed out in fiscal 2019? Then in terms of the recovery there, I know there's been, I believe, some changes in the sales structure. Can you speak to that in more detail?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Yeah. The agency decided, well, strategically we decided that it would be better to work with a smaller number of brands and brand owners, suppliers, and have deeper relationships with them. That is actually working very well and in our favour. Josh wines and Social Lite are two of the fastest-growing brands right now in the Canadian beverage alcohol market and they're benefitting from a very strong national presence with us. They're benefitting from a much deeper relationship and we're seeing significant growth. We have, as well, added a number of new brands that are in early stages but promise to provide some significant opportunities in terms of revenue and profitability going forward. And they are, you know, a similar sort of business opportunity in that we've spent a lot more, a lot deeper relationship with them, and they're national. We're getting away from serving as the regional owner of a brand, for example, an import brand in Ontario only and not representing them anywhere else. We now have national presence in all markets with these brands.

Amr Ezzat — Echelon Wealth Partners — Analyst

Great. Thank you very much. I'll pass the line.

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

You're welcome, Amr. Thank you.

Operator

Thank you. The next question will be from Nick Corcoran at Acumen Capital. Please go ahead.

Nick Corcoran — Acumen Capital — Analyst

Good morning.

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Good morning, Nick.

Nick Corcoran — Acumen Capital — Analyst

My first question is about the market share number you gave. I believe it was 16.6% in the LCBO. Can you just comment on what period that's on?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Yeah, it's grocery, not LCBO. That's for the most recent, that would be the June month end. And then the quarter we are at a 16.4 and then for the year we're at a 14.8. So it's pretty significant. We're number one in all those, right across, and we're showing good growth, in fact 50% growth in the most recent period.

Nick Corcoran — Acumen Capital — Analyst

And then what do you think the driver is? Is it the value proposition or the brand that is giving you that market share?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Well, two things, the brand and the value equation are tied together. It's our 20 Bees brand which is the one that's doing very, very well within the grocery environment, although EastDell is also in the top five or top six items. And we do support, as best we can, those brands. There is a limit to the amount of support you can provide. The government has limited us under the current scenario. It won't likely be that case under a broader grocery strategy. But we support it with, ah, we have a key account manager who deals with each of the grocery buyers and makes sure that we have support and inventory in place. But they also support the programming with tastings, regular tastings in store, which tends to—when you put liquid on peoples' lips, it tends to drive consumption. So we're seeing good, solid results by supporting the brand and having the right value proposition in place.

Nick Corcoran — Acumen Capital — Analyst

And then as you gain market share do you see any potential to increase prices over time to increase your revenue?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Yeah. The grocery channel is going to be interesting, because as it evolves, Nick, we're probably going to see more pricing pressure down, but at the same time the government has indicated in a lot of the discussions that are going on right now, you know, support for the domestic producers. So it's a bit of a guessing game at the moment, to some extent, but we anticipate that we will see improved margins but price pressure on the top end, depending on where the government goes with their price (inaudible). Right now the price (inaudible) was $11. They may actually move it down to $10 or less but would support better gross margins for the manufacturers, domestic manufacturers.

Nick Corcoran — Acumen Capital — Analyst

Great. And then can you give any update on wine in convenience stores?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Yeah, tied part and parcel with grocery and the government remains committed to it. The industry has been having consultations with both the AGCO and with the premier's office and his appointee Ken Hughes and it's still very much in the foreground, beer and wine into convenience and winery in box stores, which is the Costcos and Wal-Marts. So it very much is on the government's agenda.

Nick Corcoran — Acumen Capital — Analyst

And then just the Lassonde transaction, can you give any details on how long you've been in negotiations for them and whether you approached them or they approached you?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

We were introduced, I guess, about seven or eight months ago and have had ongoing conversations. This is a strategic fit that is, ah, it's interesting that we both share a very similar view of the industry, of where the markets are going, we have a very common view of customers, of channels, of our products. Lassonde is a very progressive beverage company. If you look at many of the things that they have done, and it's funny, they actually have a brand, they have the Del Monte juices business, which they manufacture under license, and way back in the days of my youth I was actually the guy that launched Del Monte beverages when I was a part of Nabisco. So they are a very sophisticated beverage company, well led, good management, and we're very pleased that we have alignment and, as I said, these conversations have been going on for some period of time and recently accelerated, culminating in the announcement today.

Nick Corcoran — Acumen Capital — Analyst

And then one last question for me: Do you expect any incremental revenue from the strategic partnership in fiscal 2020?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Yeah, they will start representing our brands almost immediately. We've got, obviously, orientation and those sorts of things to go on but they will be representing our brands now and I would anticipate that we would see the by-product of having a 100-person sales force working grocery. Grocery is available. You've got BC, Alberta, Saskatchewan have now opened up, Ontario's got its 225 stores and as soon as the government comes to resolution on the balance would be opening up as soon as they can, and you have New Brunswick as well. So we would see our brand presence in all of those channels being represented by Lassonde and their sales force so I would anticipate seeing some, a by-product of that focus.

Nick Corcoran — Acumen Capital — Analyst

Great. That's all for me. Thank you.

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Thanks, Nick.

Operator

Thank you. Your next question will be from Phil Comeau at TD. Please go ahead.

Phil Comeau — TD — Analyst

Hi, Murray. Congratulations on the merger. Great deal. From my neck of the hood, so I like that. Can you comment a bit of, um, the slowdown in sales? You must have high inventories. And if Lassonde sales picks up really hard, can you actually supply all the demand?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Thank you, Phil. In anticipation for the growth in grocery we've held inventories, particularly in the winery in the bulk and finished goods area, specifically to be able to support this level of activity, and it's obviously depressed the balance sheet a bit but it is, it's tough to sell if you don't have any inventory. The good news is that we have excellent inventories right now, excellent position in inventories, and as we grow we will be able to support that growth.

Phil Comeau — TD — Analyst

And the harvest, you mentioned that the harvest was a good one in 2019, so compared to the last prior to years it's similar?

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Yeah, 2018 was a good harvest. We were able to get through it even though there were some weather issues in terms of heat. This harvest looks to be equally good, although, you know, Mother Nature giveth and Mother Nature taketh away. The prior harvests, so 2017 and 2016, 2016 was a hard, that was a tough one. 2017 was better. But our inventories are in very good shape right now.

Phil Comeau — TD — Analyst

Well, thank you very much.

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

You're welcome, Phil.

Operator

Thank you. Ladies and gentlemen, as a reminder, if you do have any questions, please press star followed by one on your touchtone phone.

At this time, Mr. Souter, we have no other questions registered, sir.

Murray Souter — President & Chief Executive Officer, Diamond Estates Wines & Spirits Ltd.

Okay. Well, thank you very much, Sylvie. Thank you, everyone, for your interest in Diamond Estates. This will conclude our call for this morning and we look forward to speaking with you, if not sooner, at least when we report our second quarter results. Thank you very much.

Operator

Thank you. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending and at this time we do ask that you please disconnect your lines. Enjoy the rest of your day.